



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2017 Biennium

<b>Bill #</b>	SB0411
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<b>Title:</b>	Plan for the closure of Montana developmental center at Boulder
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<b>Primary Sponsor:</b>	Caferro, Mary
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<b>Status:</b>	As Amended
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☒ Significant Local Gov Impact

☒ Needs to be included in HB 2

☒ Technical Concerns

☐ Included in the Executive Budget

☒ Significant Long-Term Impacts

☐ Dedicated Revenue Form Attached

### **FISCAL SUMMARY**

	<b><u>FY 2016 Difference</u></b>	<b><u>FY 2017 Difference</u></b>	<b><u>FY 2018 Difference</u></b>	<b><u>FY 2019 Difference</u></b>
<b>Expenditures:</b>				
General Fund	\$976,750	(\$2,792,472)	(\$9,444,955)	(\$9,255,361)
State Special Revenue	\$0	\$1,283,935	(\$1,803,653)	(\$1,720,853)
Federal Special Revenue	\$538,750	(\$1,368,606)	\$2,341,412	\$2,513,483
<b>Revenue:</b>				
General Fund	\$0	(\$7,357,392)	(\$6,981,773)	(\$7,194,879)
State Special Revenue	\$0	\$1,283,935	(\$1,803,653)	(\$1,720,853)
Federal Special Revenue	\$538,750	(\$1,368,606)	\$2,341,412	\$2,513,483
<b>Net Impact-General Fund Balance:</b>	<u>(\$976,750)</u>	<u>(\$4,564,920)</u>	<u>\$2,463,182</u>	<u>\$2,060,482</u>

**Description of fiscal impact:** SB 411, as amended, reduces the number of residents at the Montana Developmental Center (MDC) to no more than 12 people by December 31, 2016. The bill requires MDC to reduce capacity from 56 to 12 by transferring the remaining individuals to services in community settings. The bill ends new admissions to MDC as of December 31, 2016 unless there are fewer than 12 individuals at MDC. The bill creates a committee to research, develop, and make recommendations for the closure of MDC. The bill closes the facility completely by June 30, 2017.

## FISCAL ANALYSIS

### Assumptions:

#### Department of Public Health and Human Services

#### Developmental Services Division

#### Timeframes

1. The department will work to reduce the number of individuals at MDC to no more than 12 people by December 31, 2016 and completely close the facility by June 30, 2017.
2. The timeframes for reduction of the population and closure of the facility necessitate a plan that can begin implementation by Oct 1, 2015.
3. It is assumed that DPHHS will pursue a new waiver with CMS and will have the new waiver in place as of July 1, 2016 in order to transfer people to the community.

#### Financial Impacts

The following assumptions are summarized in the table on page 4.

4. Contracted Activities. The department will contract for the following activities:
  - a. MDC Closure Support
    - i. A contractor will evaluate the existing clients; advise in transitioning clients under forensic commitments; inventory the existing resources in the community; assist with the transition of clients to community services; and assist with stabilizing work force at MDC during closure.
    - ii. MDC closure support is estimated to cost \$438,000 in FY 2016 and \$444,570 in FY 2017. This is funded 100% General Fund.
  - b. Community Based Services – ICF/IID and Forensic Commitments
    - i. A contractor will provide community based ICF/IID facilities and/or forensic facilities.
    - ii. The contractor will be required to serve any and all individuals, who meet the criteria set by the department. The department will establish entrance and exit criteria.
    - iii. Two community facilities are assumed to be established serving 16 clients at an average cost of \$845 client per day at the standard FMAP rate. The costs are estimated to increase at 6% per year.
    - iv. The contractor will begin providing services July 1, 2016.
    - v. FY 2017 costs are estimated at \$3,701,100 (\$845 per day x 3/4 year x 16 clients).
  - c. Community Based Services – Home and Community Based Services
    - i. The contractor will provide a variety of community based services beginning July 1, 2016.
    - ii. The contractor will be required to serve any and all individuals, who meet the criteria set by the department. The department will establish entrance and exit criteria.
    - iii. Twenty-eight clients are assumed to be transferred to community services and will have a cost plan averaging \$200,000 per year at the standard FMAP rate.
    - iv. FY 2017 costs are estimated at \$4,200,000 (\$200,000 x 3/4 year x 28 clients). Thereafter, costs are estimated at a full year and 40 clients.
  - d. State Plan Medicaid Services
    - i. State Plan Medicaid Services such as doctor, pharmacy, speech therapy, mental health services, etc. average approximately \$25,000 in SFY 2017 per year for adults with disabilities in community settings. These costs are estimated to grow at 6% per year and are funded at the standard FMAP.
  - e. Crisis Services
    - i. The department will contract for community crisis services beginning January 1, 2016 including crisis respite beds and a mobile response team. This strategy will assist MDC with preparing to “close the front door to the facility for placements.”

- ii. Crisis respite beds are estimated at \$600 per day for 8 beds.
  - iii. The mobile response team is estimated at \$200,000 in FY 2016 with a 1.5% cost increase per year.
  - iv. Crisis services are funded 50% general fund and 50% federal funds.
- 5. Montana Developmental Center – Operating Savings
  - a. MDC will be closed by June 30, 2017. The remaining 12 individuals will be transferred to community services by that time.
  - b. MDC operational costs will decrease by \$10,808,228 in FY 2017, \$16,301,676 in FY 2018, and \$16,301,676 in FY 2019.
  - c. MDC costs in FY 2018 and FY 2019 are reduced to minimal facility maintenance to avoid asset denigration.
- 6. Montana Developmental Center – Closure Costs
  - a. There will be 39 FTE reduced at MDC by September 30, 2016 and an additional 147.67 by December 31, 2016.
  - b. There will be 64 FTE reduced at MDC on June 30, 2017 when the facility is completely closed.
  - c. Layoffs will be done per union contract requirements and state policy for reduction in force. This will result in termination payouts and layoff benefits estimated at \$2,953,872 in FY 2017.
  - d. The MDC bond payoff is assumed at the end of SFY 2017 and is estimated at \$1,895,000. It is assumed that the bond is paid off from the final facility reimbursement receipts in FY 2017.
- 7. Miscellaneous Costs
  - a. Administrative Rules
    - i. To meet the requirements of this bill, changes to administrative rules would be necessary. The Secretary of State's office charges \$50 per page for printing and publication of administrative rules. It is estimated to enact the requirements of this bill will take printing and publication of approximately 30 pages of rules for an estimated cost of \$1,500. This activity would be funded with 100% general fund.
  - b. Child Care
    - i. The Human and Community Services Division child care program appropriated with the ICF/MR bed tax is assumed to be moved to the general fund.
- 8. Revenue Impacts
  - a. The ICFMR Bed tax revenues will be reduced as clients are moved into community services.
    - i. The ICFMR bed tax collections are currently deposited into a state special fund.
  - b. Facility Reimbursement
    - i. Facility Reimbursements from MDC are currently deposited into the general fund. It is assumed that revenues sufficient to pay the bond payoff in SFY 17 are transferred to the state special fund.
    - ii. The loss to general fund revenue (via institutional reimbursements) as a result of the closure of MDC is outlined in the table on page 4.

## SB 411 Summary of Financial Impacts

	FY 2016	FY 2017	FY 2018	FY 2019
<b>Financial Impacts</b>				
<b>Total Expenditures</b>				
MDC Closure Support	\$ 438,000	\$ 444,570		
ICF/IID and/or Forensic Commitments	\$ -	\$ 3,701,100	\$ 5,230,888	\$ 5,544,741
Home and Community Based Services	\$ -	\$ 4,200,000	\$ 8,000,000	\$ 8,000,000
State Plan Medicaid Services	\$ -	\$ 750,000	\$ 1,060,000	\$ 1,123,600
Crisis Services	\$ 1,076,000	\$ 1,955,000	\$ 2,063,165	\$ 2,177,683
Montana Developmental Center Operating Savings	\$ -	\$ (10,808,228)	\$ (16,301,676)	\$ (16,301,676)
Montana Developmental Center Closure Costs	\$ -	\$ 2,953,872		
MDC Bond		\$ 1,895,000	\$ (988,900)	\$ (906,100)
Administrative Rules	\$ 1,500			
MDC Reimbursement Federal Medicaid Share		\$ (7,968,457)	\$ (7,970,673)	\$ (8,100,979)
<b>Total Cost (State &amp; Federal)</b>	<b>\$ 1,515,500</b>	<b>\$ (2,877,143)</b>	<b>\$ (8,907,196)</b>	<b>\$ (8,462,731)</b>
<b>Federal Expenditures</b>				
ICF/IID and/or Forensic Commitments	\$ -	\$ 2,405,345	\$ 3,396,939	\$ 3,600,755
Home and Community Based Services	\$ -	\$ 2,729,580	\$ 5,195,200	\$ 5,195,200
State Plan Medicaid Services	\$ -	\$ 487,425	\$ 688,364	\$ 729,666
Crisis Services	\$ 538,000	\$ 977,500	\$ 1,031,583	\$ 1,088,841
Montana Developmental Center Operating Savings				
Montana Developmental Center Closure Costs				
Administrative Rules	\$ 750			
MDC Reimbursement Federal Medicaid Share		\$ (7,968,457)	\$ (7,970,673)	\$ (8,100,979)
<b>Total Federal Cost</b>	<b>\$ 538,750</b>	<b>\$ (1,368,607)</b>	<b>\$ 2,341,412</b>	<b>\$ 2,513,483</b>
<b>State Special Cost</b>				
Child Care	\$ -	\$ (611,065)	\$ (814,753)	\$ (814,753)
MDC Bond		\$ 1,895,000	\$ (988,900)	\$ (906,100)
<b>Total State Special Cost</b>	<b>\$ -</b>	<b>\$ 1,283,935</b>	<b>\$ (1,803,653)</b>	<b>\$ (1,720,853)</b>
<b>General Fund Expenditures</b>				
MDC Closure Support	\$ 438,000	\$ 444,570	\$ -	\$ -
ICF/IID and/or Forensic Commitments	\$ -	\$ 1,295,755	\$ 1,833,949	\$ 1,943,986
Home and Community Based Services	\$ -	\$ 1,470,420	\$ 2,804,800	\$ 2,804,800
State Plan Medicaid Services	\$ -	\$ 262,575	\$ 371,636	\$ 393,934
Crisis Services	\$ 538,000	\$ 977,500	\$ 1,031,583	\$ 1,088,841
Montana Developmental Center Operating Savings	\$ -	\$ (10,808,228)	\$ (16,301,676)	\$ (16,301,676)
Montana Developmental Center Closure Costs	\$ -	\$ 2,953,872	\$ -	\$ -
Administrative Rules	\$ 750	\$ -	\$ -	\$ -
Child Care		\$ 611,065	\$ 814,753	\$ 814,753
<b>Total General Fund Cost</b>	<b>\$ 976,750</b>	<b>\$ (2,792,472)</b>	<b>\$ (9,444,955)</b>	<b>\$ (9,255,361)</b>
	\$ -	\$ -	\$ -	\$ -
<b>Revenue Impacts State Special</b>				
ICFMR Bed Tax		\$ (611,065)	\$ (814,753)	\$ (814,753)
MDC Reimbursement Revenue Transfer for Bond Payment		\$ 1,895,000	\$ (988,900)	\$ (906,100)
<b>Total State Special Revenue Impact</b>	<b>\$ -</b>	<b>\$ 1,283,935</b>	<b>\$ (1,803,653)</b>	<b>\$ (1,720,853)</b>
<b>Revenue Impacts General Fund</b>				
MDC Facility Revenues		\$ (5,462,392)	\$ (6,981,773)	\$ (7,194,879)
MDC Reimbursement Revenue Transfer for Bond Payment		\$ (1,895,000)		
<b>Total General Fund Revenue Impact</b>	<b>\$ -</b>	<b>\$ (7,357,392)</b>	<b>\$ (6,981,773)</b>	<b>\$ (7,194,879)</b>

**Department of Corrections**

9. SB 411 would terminate the Montana Development Center (MDC) in Boulder as an option for housing for persons with severe developmental disabilities.
10. Currently, there are eight individuals housed at MDC who have committed criminal acts and are committed to the custody of the Montana Department of Public Health and Human Services (DPHHS).
  - a. If the Montana Developmental Center closes, DPHHS would have fewer placement options. There could be potential impact to the Department of Corrections if DPHHS requests that the individuals who have committed criminal acts be transferred to the Department of Corrections for placement per § 46-14-312 Mont. Code Annotated. Cost per year per inmate in a female prison is \$38,515 and male prison is \$34,175.
11. Regardless of a transfer or not, the Montana Board of Pardons and Parole is responsible for granting parole to the eight individuals who have committed criminal acts. This bill could create an increase in the Board's travel expenses depending on where the offenders are placed.
12. The Department of Corrections recognizes that the number of crimes committed by persons with severe developmental disabilities in Montana may increase and could have a future impact.

**Board of Visitors**

13. New section 2 of SB 411 creates a transition planning committee to make recommendations and help the department of public health and human services plan for carrying out the purposes of sections 1 through 4 of the bill. The transition planning committee includes one member of the mental disabilities board of visitors provided for in 2-15-211 MCA. This fiscal note assumes that a non-employee board member from the Board of Visitors (BOV) is selected to serve on the transition planning committee.
14. The transition planning committee is required to meet at least quarterly and is to be disbanded no later than June 30, 2017. It is assumed that the board member representative from BOV will attend a total of eight two-day-long meetings associated with participation in this committee.
15. Costs incurred by the board member, relating to their participation in the committee meetings, will be absorbed within the budget of the Board of Visitors.

	<b><u>FY 2016</u></b> <b><u>Difference</u></b>	<b><u>FY 2017</u></b> <b><u>Difference</u></b>	<b><u>FY 2018</u></b> <b><u>Difference</u></b>	<b><u>FY 2019</u></b> <b><u>Difference</u></b>
<b><u>Fiscal Impact:</u></b>				
<b>FTE</b>	0.00	(186.67)	(250.67)	(250.67)
<b><u>Expenditures:</u></b>				
Personal Services	\$0	(\$6,841,807)	(\$14,031,822)	(\$14,031,822)
Operating Expenses	\$1,515,500	\$1,387,021	(\$206,689)	(\$92,171)
Benefits/Claims	\$0	\$682,643	\$6,320,215	\$6,567,362
Debt Service	\$0	\$1,895,000	(\$988,900)	(\$906,100)
<b>TOTAL Expenditures</b>	<b><u>\$1,515,500</u></b>	<b><u>(\$2,877,143)</u></b>	<b><u>(\$8,907,196)</u></b>	<b><u>(\$8,462,731)</u></b>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$976,750	(\$2,792,472)	(\$9,444,955)	(\$9,255,361)
State Special Revenue (02)	\$0	\$1,283,935	(\$1,803,653)	(\$1,720,853)
Federal Special Revenue (03)	\$538,750	(\$1,368,606)	\$2,341,412	\$2,513,483
<b>TOTAL Funding of Exp.</b>	<b><u>\$1,515,500</u></b>	<b><u>(\$2,877,143)</u></b>	<b><u>(\$8,907,196)</u></b>	<b><u>(\$8,462,731)</u></b>
<b><u>Revenues:</u></b>				
General Fund (01)	\$0	(\$7,357,392)	(\$6,981,773)	(\$7,194,879)
State Special Revenue (02)	\$0	\$1,283,935	(\$1,803,653)	(\$1,720,853)
Federal Special Revenue (03)	\$538,750	(\$1,368,606)	\$2,341,412	\$2,513,483
<b>TOTAL Revenues</b>	<b><u>\$538,750</u></b>	<b><u>(\$7,442,063)</u></b>	<b><u>(\$6,444,014)</u></b>	<b><u>(\$6,402,249)</u></b>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	(\$976,750)	(\$4,564,920)	\$2,463,182	\$2,060,482
State Special Revenue (02)	\$0	\$0	\$0	\$0
Federal Special Revenue (03)	\$0	\$0	\$0	\$0

**Effect on County or Other Local Revenues or Expenditures:**

1. With the closure of the MDC facility, the town of Boulder is expected to experience financial impacts due to reduction of workforce, and ancillary economic impacts of the facility's closure.

**Long-Term Impacts:**

1. In FY 2020 and beyond, the general fund revenue reduction will increase commensurate with the debt service payment, as the general fund savings attributable to pre-paying the existing bond obligations assumed in this fiscal note will cease, thereby causing a further decrease to general fund revenue.

**Technical Notes:**

1. This note assumes a Medicaid waiver would be obtained to transfer individuals to the community. If Medicaid waiver approval is not obtained, non-Medicaid approved expenses would be paid 100% from general fund, thereby increasing the cost of this fiscal note.
2. It is unknown if there are community providers willing or able to receive the placement of individuals eligible for ICF/IID services.
3. Based on the department's past experience attempting to place individuals in a community setting, it is unknown if the rates assumed in this fiscal note would be sufficient and/or acceptable to the provider

community. To the extent the assumed rates are insufficient, the cost of this note would rise commensurate with the actual rates paid to place individuals, or the department may seek placement of these individuals with out-of-state providers where services may be provided at a more competitive cost.

4. This note assumes federal funding participation of a portion of the closing costs for the facility which are reflected as general fund revenue (via institutional reimbursements) in FY 2017. To the extent federal funding is not recouped, the revenue would not be deposited in the general fund, and the net cost of closure would increase in FY 17 by approximately \$1.4 million general fund.
5. Per New Section 2, the transition planning committee is not expected to complete its work until June 30, 2017, bringing into question the feasibility of implementing the committees plan, considering that the MDC facility is directed to close no later than June 30, 2017.

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*Sponsor's Initials*

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*Date*

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*Budget Director's Initials*

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*Date*